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INCOMING  
TELEGRAM

3F

# Department of State

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ACTION ARA-05

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GUATEMA 03446 01 OF 02 011913Z

INFO OCT-01 SS-14 ISO-00 SP-02 DHA-02 H-01 INR-05  
NSC-05 NSC-00 CIAE-00 USSO-00 INRE-00 /036 W  
#120432 026533 /64 S

O 011412Z JUN 77  
FM AMEMBASSY GUATEMALA  
TO SECRETARY WASHDC IMMEDIATE 6232  
TREAS DEPT IMMEDIATE

~~SECRET~~ SECTION 1 OF 2 GUATEMALA 3446

~~TOP SECRET~~

TREASURY FOR PETER BRIDGES

E.O. 11652 GDS  
TAGS: OCON, EPIN, SHUM, GT  
SUBJ: SECRETARY BLUMENTHAL'S BILATERAL MEETING WITH ARGENTINA

REF: GUATEMALA 3418, BRIDGES-BITTNER TELECON

AS PER REQUEST BY MR. PETER BRIDGES THERE FOLLOWS MEMCON OF  
SECRETARY BLUMENTHAL'S BILATERAL MEETING WITH ARGENTINE MINISTER  
OF ECONOMY MARTINEZ DE HOZ:

"MEMORANDUM OF CONVERSATION

PARTICIPANTS:

ARGENTINA: JOSE ALFREDO MARTINEZ DE HOZ, MINISTER OF ECONOMY  
ALDO FLORES DIAZ, PRESIDENT OF THE CENTRAL BANK  
DAVIDE SIMONE, EXECUTIVE DIRECTOR, IMF,  
U.S.

MICHAEL BLUMENTHAL, SECRETARY OF TREASURY  
C. FRED BERGSTEN, ASSISTANT SECRETARY OF TREASURY  
ARNOLD MACHINOFF, DEPUTY ASSISTANT SECRETARY OF TREASURY  
RICHARD ARELLANO, DEPUTY ASSISTANT SECRETARY OF STATE  
EDWARD BITTNER, OFFICE OF DEVELOPING NATIONS FINANCE, TREASURY  
TIME AND PLACE: MAY 31, 1977 - U.S. CHANCERY, GUATEMALA

SUBJ: BILATERAL MEETING WITH ARGENTINA

MARTINEZ DE HOZ SAID HE WAS GRATEFUL FOR OPPORTUNITY TO EXPLAIN  
PERSONALLY TO SECRETARY BLUMENTHAL THE ECONOMIC PROGRESS THAT  
ARGENTINA HAS MADE SINCE THE ADMINISTRATION OF VIDELA. HE BEGAN  
BY GIVING A DETAILED DESCRIPTION OF THE POLITICAL MANEUVERINGS  
LEADING UP TO THE MILITARY TAKEOVER IN 1976, EMPHASIZING  
THAT THE MILITARY RELUCTANTLY ASSUMED POWER WHEN PERON'S WIFE HAD  
LOST CONTROL OF THE POLITICAL SITUATION AND THE ECONOMY HAD REACHED  
"ROCK BOTTOM". HE SAID HE AGREED TO BE MINISTER OF ECONOMY ONLY  
IF HE HAD THE COMPLETE POLITICAL BACKING OF THE MILITARY AND IF  
HE WOULD HAVE CONTROL OVER ALL MINISTRIES INVOLVING THE ECONOMY.  
THE MILITARY INHERITED A LEGACY OF TERRORIST ORGANIZATIONS WHICH  
PERON HAD BACKED IN ORDER TO OPPOSE THE PREVIOUS GOVERNMENTS,  
BUT WHICH ULTIMATELY GOT OUT OF CONTROL.

MARTINEZ DE HOZ REITERATED THE ECONOMIC PROGRESS WHICH HAS  
BEEN MADE UNDER HIS LEADERSHIP, DIRECTING OUR ATTENTION TO BOOK  
WITH CHARTS SHOWING INTER ALIA DECREASE IN UNEMPLOYMENT,  
DECREASE IN MONETARY EXPANSION, INCREASE IN AGRICULTURAL PRO-  
DUCTION, ENERGY PRODUCTION AND EXPORT SHIPMENTS, REDUCTION IN  
GOVERNMENT DEFICIT, DECLINE IN RATE OF INFLATION, AND IMPROVE-  
MENT IN EXTERNAL SECTOR. HE SAID HE WAS ABLE TO CONVINCE THE  
POPULATION ABOUT THE NECESSITY OF A DECREASED GROWTH IN REAL WAGES  
AS THE PRICE FOR ACHIEVING STABILITY.

BLUMENTHAL SAID HE ADMIRER THE PROGRESS IN THE ECONOMY WHICH  
HAD BEEN MADE AND UNDERSTANDS THE POLITICAL SITUATION STEMMING  
FROM THE TERRORISM INHERITED FROM PREVIOUS GOVERNMENTS. HE CITED  
THE FACT THAT THE BENDIX CORPORATION WITH WHICH HE PREVIOUSLY HAD  
BEEN ASSOCIATED, LOST THREE EMPLOYEES TO THE TERRORISTS. NEVER-  
THELESS, THE U.S. IS VERY CONCERNED ABOUT OUR PROCESS OF LAW  
AND THE GENERAL PROTECTION OF HUMAN RIGHTS. HE ASKED MARTINEZ

DE HOZ IF HE SAW A WAY TO MOVE FROM EXTRA LEGAL METHODS OF CON-  
TROL TO THE NORMAL LEGAL PROCESS IN HANDLING TERRORISTS.

MARTINEZ DE HOZ SAID THAT WHILE ARGENTINA ADMIRES U.S. TRADITIONS  
AND LAWS AND CITED THE COMMON HISTORY, THE PRESENT SITUATION  
IS HIGHLY ABNORMAL STEMMING IN PART BY INHIBITION OF THE JUDICIARY  
TO SENTENCE TERRORISTS BECAUSE OF FEAR OF RETRIBUTION AGAINST  
THEMSELVES AND THEIR FAMILIES. THE POLICE BECAME DISCOURAGED WHEN  
TERRORISTS BROUGHT TO TRIAL WERE ALWAYS SET FREE. THUS, A POLICY  
OF TAKING NO PRISONERS WAS ADOPTED. LIKEWISE, YOUNG MILITARY  
OFFICERS TOOK MATTERS INTO THEIR OWN HANDS. MARTINEZ DE HOZ  
SAID PRESIDENT VIDELA IS COMMITTED TO RESTORING HUMAN RIGHTS.  
CONSIDERABLE PROGRESS HAS BEEN MADE IN WIPING OUT THE TWO MAIN  
TERRORIST GROUPS AND HE ANTICIPATES GRADUAL IMPROVEMENT IN  
RESPECTING HUMAN RIGHTS OVER THE NEXT FEW MONTHS.  
BOSTER

Department of State, A/GIS/IPS/SRP  
Change to  
( ) Release ( ) Exclse ( ) Deny ( ) Declassify  
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Date 70-19-16

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Declassified Case: 17-8708 Date: 05-30-2013

*Department of State*

INCOMING  
TELEGRAM

GUATEM 83446 02 OF 02 811932Z

CONGRESS'S POSITION FIRMLY TO MARTINEZ DE HOZ SUBSEQUENT  
TO THE LATTER'S BILATERAL WITH SECRETARY BLUMENTHAL. U.S.  
EXECUTIVE DIRECTOR RALPH DUNCAN MADE THE SAME CASE ON A  
DIFFERENT OCCASION TO MARTINEZ DE HOZ.

O 011841Z JUN 77  
FM AMEMBASSY GUATEMALA  
TO SECSTATE WASHDC IMMEDIATE 6233  
TREAS DEPT IMMEDIATE

~~SECRET~~ SECTION 2 OF 2 GUATEMALA 3446

## NOTES

TREASURY FOR PETER BRIDGES

BLUMENTHAL SAID THAT WHILE HE AND OTHERS ARE UNDERSTANDING OF ARGENTINA'S PROBLEM AND HE DOESN'T WANT TO INTERFERE INTERNALLY, THE CARTER ADMINISTRATION MUST BE CONSISTENT IN THE PURSUIT OF HUMAN RIGHTS. THE CONGRESS WOULD NOT WANT TO VOTE AGAINST LOANS BY THE IDB FOR ARGENTINA SINCE IT WOULD BE GOING AGAINST THE POLICY OF THE HOUSE WHICH HAS BEEN TO OPPOSE SUCH LOANS. HE SAID THAT THE HOUSE HAS BEEN VERY NEEDY OF THE BADILLO AMENDMENT, WHICH ALREADY HAS PASSED THE HOUSE AND HE WOULD EXTEND THIS LAW TO OTHER IF'S. WHILE HURPHREY'S AMENDMENT WOULD PROVIDE MORE FLEXIBILITY, THE ADMINISTRATION IS AS A MATTER OF ITS OWN POLICY AND CONVICTION, COMMITTED TO THE ADVANCEMENT OF HUMAN RIGHTS. HE SUGGESTED, THEREFORE, THAT IT WOULD BE ADVISABLE FOR ARGENTINA TO POSTPONE APPLICATIONS FOR LOANS UNTIL IT COULD SHOW SOME DEFINITE IMPROVEMENT IN HUMAN RIGHTS.

MARTINEZ DE HOZ SAID THAT PRESIDENT VIDELA IS COMMITTED TO RESTORING HUMAN RIGHTS AS SOON AS POSSIBLE. ARGENTINA HAS TWO LOANS IN THE PIPELINE FOR IBB CONSIDERATION WHICH COULD BE HELD UP, BUT HE IS CONCERNED ABOUT A \$100 MILLION LOAN FOR THE NATIONAL DEVELOPMENT BANK WHICH IS BEING CONSIDERED BY THE IBB. HE EXPRESSED CONCERN THAT ARGENTINA WOULD NOT BE ABLE TO UTILIZE ITS \$300 MILLION QUOTA WITH THE IBB IF THE LOAN WERE DELAYED TO THE NEXT FISCAL YEAR. HE SAID HE HOPED THAT THIS LOAN MIGHT GET THROUGH THE "NEEDY" LOOPHOLE ON THE GROUNDS OF EMPLOYMENT GENERATION.

BLUMENTHAL RESPONDED BY INDICATING THAT THE IBRD LOAN IS VERY  
LIKELY TO PRESENT PROBLEMS FOR US.

MARTINEZ DE HOZ BECAME SOMEWHAT DEFENSIVE AND ASKED WHO WORRIES ABOUT HUMAN RIGHTS FOR THE VICTIMS OF THE TERRORISTS.

ARELLANO SAID THERE IS NO WAY OF RATIONALIZING HUMAN RIGHTS VIOLATIONS.

IN RESPONSE TO BLUMENTHAL'S QUESTION ABOUT ASSERTIONS OF ANTI-SEMITISM IN ARGENTINA, MARTINEZ CLAIMED THERE WAS NO SUBSTANCE TO THE CHARGES.

BLUMENTHAL SAID HE BELIEVES THAT THE U.S. POSITION IS CLEAR. WE HOPE TO SEE IMPROVEMENT IN HUMAN RIGHTS MADE QUICKLY AND WOULD LIKE TO BE INFORMED CONCERNING PROGRESSMADE.

BLUMENTHAL REITERATED U.S. OPPOSITION TO ANY INCREASE IN SALARY FOR IDB EXECUTIVE DIRECTORS AND ASKED FOR ARGENTINA'S SUPPORT.

MARTINEZ DE HOZ AGREED TO DISCUSS SALARY ISSUE WITH ORTIZ MENA WITH THE OBJECTIVE OF HAVING IT PUT ASIDE. HE THEN BROUGHT UP THE POSSIBILITY OF INTAL BEING ELIMINATED, OR TRANSFERRED. SINCE INTAL IS THE ONLY INTERNATIONAL ORGANIZATION LOCATED IN ARGENTINA MARTINEZ DE HOZ IS ANXIOUS THAT IT REMAIN THERE IN SOME FORM.

BERGSTEN SAID THAT AS THE SECRETARY INDICATED IN HIS 109 MEETING SPEECH, THE U.S. WISHES TO STUDY THE FUTURE OF INTAL.

MARTINEZ DE HOZ THANKED THE SECRETARY FOR BEING ABLE TO SPEAK FRANKLY ABOUT THE SITUATION IN ARGENTINA.

AS REPORTED REFTEL CONGRESSMAN BADILLO EXPLAINED

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*(continued)*

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FOLDER: ARGENTINA, 2-12/77